

TEACHERS' RETIREMENT BOARD  
EXECUTIVE COMPENSATION COMMITTEE

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SUBJECT: Board Policy Regarding Exempt Positions                      ITEM NUMBER: 4

ATTACHMENT(S): 1

ACTION: X    DATE OF MEETING: April 3, 2002

INFORMATION:       PRESENTER: Peggy Plett

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Since 1999, the Executive Compensation Committee and CalSTRS staff have had on-going communication with the Department of Personnel Administration regarding the issue of exempt compensation of compensation paid to CalSTRS employees who are exempt from civil service. In 2001, the Board commissioned an independent evaluation of comparable compensation for CalSTRS exempt positions. At the February meeting, the Executive Compensation Committee accepted the compensation report from Watson Wyatt Worldwide and asked staff for recommendations regarding next steps.

Staff has engaged in discussion with the DPA regarding a Delegation of Authority to establish exempt positions and compensation packages. Staff believes such delegation would give the Executive Compensation Committee and the Board the flexibility to recruit and retain the most highly qualified individuals for critical executive and management positions. In order to implement this type of delegation, the Executive Compensation Committee and the Board need clearly articulated policy regarding the establishment of exempt positions and the determination of compensation.

Staff is proposing that the Executive Compensation Committee adopt the attached resolution which establishes Board policy regarding the establishment of exempt positions. This would allow the Board (upon the recommendation of the Executive Compensation Committee) to establish additional exempt positions as the needs of the System warrant. This policy is substantially the same as that adopted by the CalPERS Board.

At future meetings, staff will bring forward for discussion and adoption compensation policy, proposed compensation levels and the establishment of additional exempt positions.

PROPOSED  
RESOLUTION  
OF THE  
TEACHERS' RETIREMENT BOARD

Establishment of Exempt Positions  
Resolution No. \_\_\_\_\_

WHEREAS: Article XVI, Section 17 of the California Constitution expressly provides that the CalSTRS Board has plenary authority and financial responsibility for the investment of monies and administration of the Teachers' Retirement System, and

WHEREAS: Article XVI, Section 17 of the California Constitution defines assets of public pension funds to be held for the exclusive benefit of participants, and places in the retirement board sole and exclusive responsibility to administer the System in a manner that will assure prompt delivery of benefits and related services to participants and their beneficiaries, and

WHEREAS: Article XVI, Section 17 of the California Constitution requires the CalSTRS Board to exercise its responsibility subject to continuing fiduciary duties, and specifies that the duty to participants and their beneficiaries takes precedence over any other duty, and

WHEREAS: The Teachers' Retirement Board adopted Resolution 93-22 (Proposition 162 – Implementation of New Administrative Practices) which provided in part that the Board would assume responsibility and authority for certain administrative processes relative to budgets, procurement and travel, and specified that the Board must approve any additional changes to administrative processes, and

WHEREAS: The Teachers' Retirement Board believes it necessary to the continuing effectiveness of CalSTRS to establish additional positions that are exempt from the existing constitutional and statutory provisions that govern the State civil service system, and

WHEREAS: The Teachers' Retirement Board acknowledges the sensitivity and importance of establishing additional exempt positions to meet its obligation to effectively manage the System, therefore be it

RESOLVED: That all proposals to establish additional positions exempt from the existing civil service shall be duly noticed and considered by the Executive Compensation Committee of the Teachers' Retirement Board, which shall consider the proposals and make recommendations to be acted upon by the Teachers' Retirement Board, and

RESOLVED: That in reviewing and considering whether to establish additional exempt positions, the Executive Compensation Committee and the Teachers' Retirement Board shall consider their necessity in effectively exercising the Board's plenary authority to manage the System, and

RESOLVED: That when new exempt positions are under consideration, the Executive Compensation Committee will also review proposals regarding the compensation to be paid for the positions, and will make recommendations to be acted upon by the Teachers' Retirement Board, and

RESOLVED: That the Teachers' Retirement Board intends to limit the number of exempt positions for the highest level of executive and management positions requiring specialized experience not generally available within State civil service, and

RESOLVED: That the Executive Compensation Committee of the Teachers' Retirement Board shall annually review the policies set forth in this resolution.

Adopted by:  
Teachers' Retirement Board  
on \_\_\_\_\_

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Jack Ehnes  
Chief Executive Officer and Secretary  
to the Teachers' Retirement Board